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OFFICE OF REPORTS AND ESTIMATES

TRANSPORTATION GROUP

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Date: 1 MAR 78 By: 028

Weekly Intelligence Summary No. 19

6 July 1948

## SECTION I. SUMMARY OF TRENDS AND DEVELOPMENTS

\*\*\*The Swiss Government has neatly parried a Soviet proposal to negotiate an air agreement for a route from Berlin to Zurich by suggesting that the USSR first obtain permission to overfly the US occupation zone, Germany. \*\*\*

\*\*\*The Swiss Government is now determined to strictly enforce control of international air traffic crossing its territory. Past laxity in this respect has resulted in clandestine gold shipments from Satellite countries; movement through Swiss airports of foreign aircraft lacking proper credentials and advance clearances; and illicit transportation of arms en route to Palestine. \*\*\*

Fourteen nations already have signed the Convention on International Rights in Aircraft adopted unanimously last month by the International Civil Aviation Organization (ICAO). This most important achievement of ICAO's Second Assembly will facilitate international financing of aircraft purchases by providing the utmost legal security for both parties to such transactions.

The admission of Austria and Finland to membership in the International Civil Aviation Organization (ICAO) has been unanimously approved by the Second Assembly of ICAO.

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- 2 -

## SECTION II. CURRENT DEVELOPMENTS

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\*\*\*The Swiss Government has avoided an outright refusal to negotiate an air agreement proposed by the USSR. The proposal for regular scheduled operations by the Soviet airline, AEROFLOT, on a route from Moscow to Zurich made no suggestion of a quid pro quo. In reply to the Swiss demand for operating rights into Moscow for the air carrier, SWISSAIR, the USSR offered landing rights at Berlin for the purpose of traffic exchange. (The Swiss, although recognizing that the Soviet offer of a Zurich-Berlin route does not meet the requirements of true reciprocity, nevertheless see some commercial advantage for SWISSAIR in a Berlin stop en route to Stockholm.) The Swiss Government has neatly parried the Soviet counter-proposal by suggesting that the USSR first obtain permission to overfly the US occupation zone in Germany, as a necessary prerequisite to a Berlin-Zurich route. \*\*\*

\*\*\*The Swiss Government is now determined to strictly enforce control of international air traffic crossing its territory. Past laxity in this respect has resulted in clandestine gold shipments from Satellite countries; movement through Swiss airports of foreign aircraft lacking proper credentials, advance clearances and engaged in transporting arms en route to Palestine. Swiss authorities have been alerted to watch closely all air movements suspected of violating Swiss laws and endangering the country's security. \*\*\*

The privately-owned Australian National Airways (ANA), its existence threatened by the Australian program for nationalization of transport, recently proposed an interline agreement with China National Aviation Corporation (CNAC). Under this agreement, ANA would operate CNAC's trans-Pacific routes, furnishing planes and crews and allotting 10 percent of all profits to the Chinese corporation. (The lucrative trans-Pacific routes, operated by ANA until April 1948, have now been taken over by the government-owned Trans-Australia Airlines.) CNAC, despite the favorable terms offered by ANA, is unwilling to be associated with a foreign airline on the proposed basis, believing that ANA should register under Chinese corporation laws and be controlled by Chinese nationals. Meanwhile, ANA, supplied with modern aircraft and trained pilots, has, through a merger with Cathay Pacific Airlines of Hong Kong, gained a foothold in the area with international routes to Manila, Shanghai, Bangkok, and Rangoon.

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- 3 -

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The Second Assembly of the International Civil Aviation Organization (ICAO), has reviewed the entire field of international air transport and sustained the US hope that major political issues would be avoided. The Assembly, however, took action on a number of significant civil air questions, most important of which was the unanimous adoption and opening for signature of a Convention on International Recognition of Rights in Aircraft (See TG Weekly, 17 May). This Convention, long desired by the US as the world's leading aircraft producer, will facilitate the international financing of aircraft purchases by providing the maximum possible legal security for financial arrangements connected with the purchase of aircraft for international service. As of 21 June, 14 nations had signed the Convention, including the following major civil air powers: Argentina, Belgium, Brazil, China, France, Portugal, Netherlands, UK, and US.

By calling upon all ICAO member states to implement the freedom of international movement envisaged and formally accorded by the ICAO Convention to irregular, non-scheduled aircraft (See TG Weekly, 10 May), the Assembly has attempted to modify present restrictions imposed by many nations upon this essential type of air service. The Assembly recommended: immediate admission of private foreign non-commercial aircraft by member states; admission without prior permission of commercial aircraft transiting a member state when not exercising commercial privileges, except in cases of flights over inaccessible or restricted areas. (While the undesirability of restricting the fullest possible development of non-scheduled air transport is generally recognized, it is likely that security and economic considerations under present world conditions will continue to prevent achievement of the freedom of movement envisaged by the Assembly.)

The complex questions of joint operation of international services (See TG Weekly, 3 May) and of multilateral agreement on commercial rights in international civil air transport were referred back to the ICAO Council and member states for further study, comment, and report to the 1950 Assembly.

The admission of Austria and Finland to membership in the International Civil Aviation Organization (ICAO) has been unanimously approved by the Second Assembly of ICAO. Austria's membership, which was approved by the UN General Assembly in November 1947, will become effective 9 July, while that of Finland is still subject to UN approval. The admission of these two countries will bring to 51 the number of ICAO member nations.

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- 4 -

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Air connections with the Finnish capital, Helsinki, have recently improved. Czechoslovak Airlines (CSA), has begun services on the routes Praha-Copenhagen-Helsinki, while the Finnish air carrier, AERO OY, will initiate bi-weekly air services on 20 July between Helsinki and Amsterdam via Copenhagen.

Present plans for Japanese domestic transport envisage a radical change in the prewar pattern when the bulk of Japanese domestic freight was moved by coastal shipping. During the next 12 months it is planned to use motor transport for about 60 percent of all freight movements; rails will account for about 30 percent and water for about 10 percent. Dependence upon motor transport is a continuation of the pattern established during the war when rail traffic was largely disorganized and may be expected to continue for some time in view of the present Japanese policy of concentrating upon production of rolling stock primarily for export. With the present shortage of petroleum, however, only 37 percent of the gasoline requirements of the trucking program can be met; the remainder must be furnished with substitute fuels. Scarcity of rubber, furthermore, is likely to cause a bottleneck. Japanese leaders, nevertheless, have hopes that a high priority will be assigned to funds for use in improving the transport situation.

European fear of competition from Japanese shipyards is evident in concern over reports of Japanese activity. Negotiations are now in progress for construction for foreign account of 5 large tankers and 10 small and medium size cargo vessels. While prices have not been established for the Japanese vessels, present reports have it that bids range ten percent below present Scandinavian quotations, considerably undercut those of the UK and roughly parallel charges for Italian-built shipping.

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